

S E C T I O N

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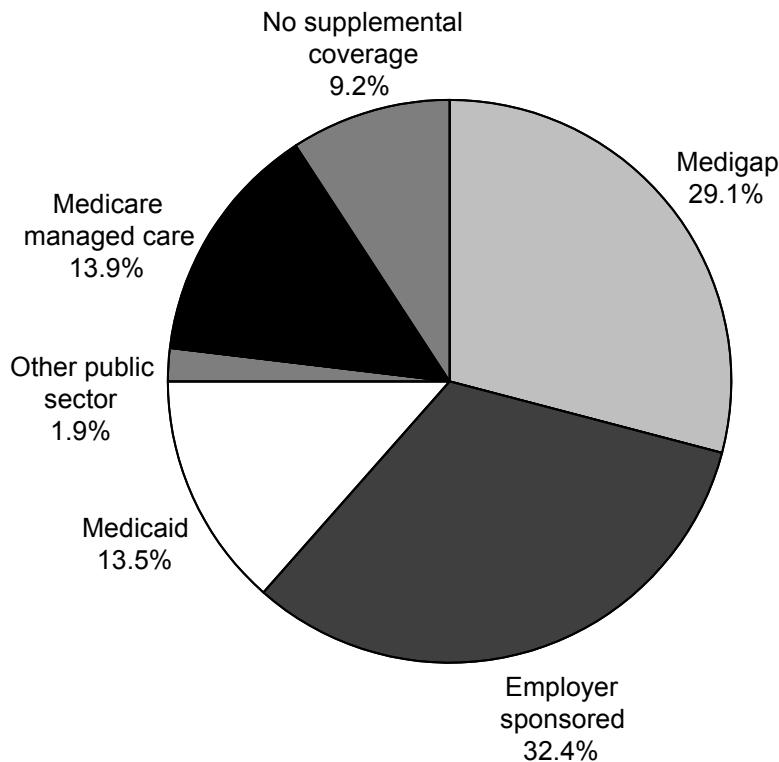
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## **Medicare beneficiary and other payer financial liability**

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## Chart 6-1. Sources of supplemental coverage among noninstitutionalized Medicare beneficiaries, 2003



Note: Beneficiaries are assigned to the supplemental coverage category that applied for the most time in 2003. They could have had coverage in other categories throughout 2003. Other public sector includes federal and state programs not included in other categories. Analysis includes only beneficiaries living in the community. It excludes beneficiaries who were not in both Part A and Part B throughout their enrollment in 2003 or who had Medicare as a second payer.

Source: MedPAC analysis of Medicare Current Beneficiary Survey, Cost and Use file, 2003.

- Most beneficiaries living in the community have coverage that supplements or replaces the Medicare benefit package. Ninety-one percent of beneficiaries have supplemental coverage or participate in Medicare managed care.
- Sixty-one percent have private-sector supplemental coverage such as Medigap (29 percent) or employer-sponsored retiree coverage (32 percent).
- Fifteen percent have public-sector supplemental coverage, primarily Medicaid.
- Fourteen percent participate in Medicare managed care. This includes Medicare+Choice (now Medicare Advantage), cost, and health care prepayment plans. These types of arrangements generally replace Medicare coverage and often add to it.

## Chart 6-2. Sources of supplemental coverage among noninstitutionalized Medicare beneficiaries, by beneficiaries' characteristics, 2003

	Number of beneficiaries (thousands)	Employer-sponsored insurance	Medigap insurance	Medicaid	Medicare managed care	Other public sector	Medicare only
<b>All beneficiaries</b>	<b>36,154</b>	<b>32.4%</b>	<b>29.1%</b>	<b>13.5%</b>	<b>13.9%</b>	<b>1.9%</b>	<b>9.2%</b>
<b>Age</b>							
< 65	4,686	15.2	6.1	46.2	7.6	2.9	22.0
65–69	8,202	39.0	27.7	9.5	12.7	1.9	9.3
70–74	7,702	37.1	30.1	8.1	15.6	1.6	7.6
75–79	6,926	31.9	34.6	8.5	17.2	2.1	5.8
80–84	4,893	33.2	37.1	8.0	13.9	1.7	6.1
85+	3,745	29.3	38.5	9.2	15.1	1.4	6.5
<b>Income status</b>							
Below poverty	5,781	11.5	13.3	53.0	8.7	2.3	11.3
100–125% of poverty	3,451	15.6	26.8	28.1	14.2	3.2	12.2
125–200% of poverty	8,197	26.0	31.5	8.3	16.5	3.5	14.2
200–400% of poverty	10,338	41.8	32.4	1.0	15.5	1.2	8.1
Over 400% of poverty	8,355	48.5	34.7	0.5	12.8	0.6	2.9
<b>Eligibility status</b>							
Aged	31,298	34.9	32.6	8.6	14.8	1.8	7.2
Disabled	4,541	15.0	6.3	45.7	7.8	3.0	22.3
ESRD	289	32.4	9.6	39.7	7.5	1.0	9.8
<b>Residence</b>							
Urban	27,499	33.4	26.8	12.4	17.6	1.9	8.0
Rural	8,639	29.0	36.6	17.0	2.2	2.1	13.0
<b>Sex</b>							
Male	15,947	34.7	25.7	11.9	13.1	2.1	12.5
Female	20,207	30.5	31.8	14.8	14.6	1.8	6.6
<b>Health status</b>							
Excellent/very good	14,697	35.4	33.5	6.5	15.6	1.3	7.7
Good/fair	18,188	31.6	27.7	16.1	13.1	2.4	9.1
Poor	3,056	22.3	16.0	32.5	10.5	2.4	16.3

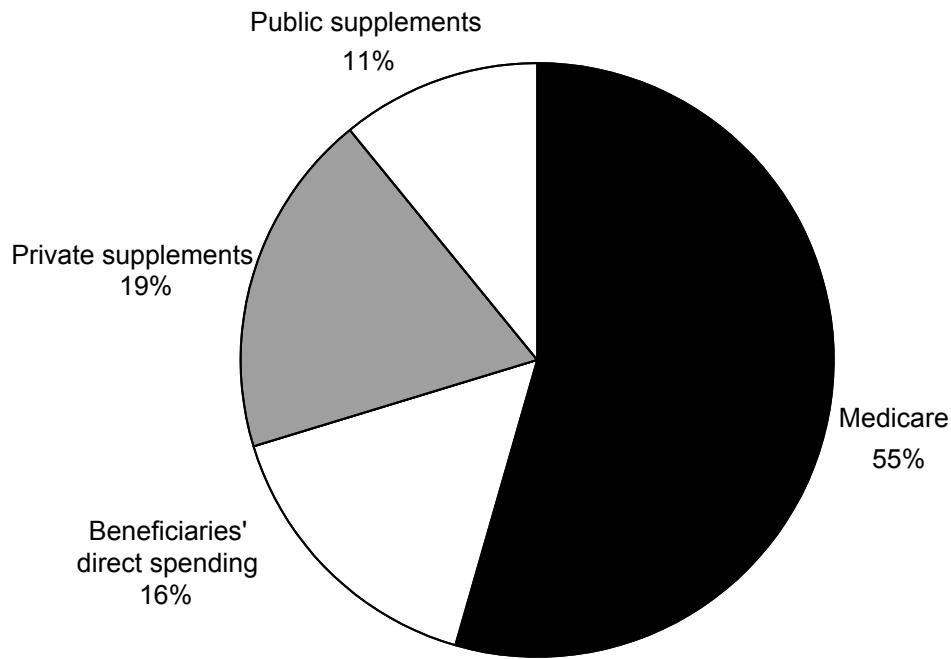
Note: ESRD (end-stage renal disease). Beneficiaries are assigned to the supplemental coverage where they spent the most time in 2003. They could have had coverage in other categories throughout 2003. Medicare managed care includes Medicare+Choice, cost, and health care prepayment plans. Other public sector includes federal and state programs not included in other categories. In 2003, poverty was defined as \$8,825 for people living alone and as \$11,133 for married couples. Urban indicates beneficiaries living in metropolitan statistical areas (MSAs). Rural indicates beneficiaries living outside MSAs. Analysis includes only beneficiaries living in the community. It excludes beneficiaries who were not in both Part A and Part B throughout their enrollment in 2003 or had Medicare as a second payer. In previous editions of the Data Book, this analysis was based on beneficiaries only in Part A or Part B.

Source: MedPAC analysis of Medicare Current Beneficiary Survey, Cost and Use file, 2003.

- Beneficiaries most likely to have employer-sponsored supplemental coverage are those who are age 65 to 84, higher income (above 200 percent of poverty), eligible due to age or end-stage renal disease (ESRD), urban dwelling, and male, and who report excellent or very good health.
- Medigap is most common among those who are “older” aged (age 80 or older), middle or high income (above 125 percent of poverty), eligible due to age, rural dwelling, female, and who report excellent or very good health.
- Medicaid coverage is most common among those who are under 65, low income (below 125 percent of poverty), eligible due to disability or ESRD, rural dwelling, female, and who report poor health.
- Medicare managed care is most common among those who are age 65 or older, have incomes between 125 and 400 percent of poverty, are eligible due to age, are urban dwelling, and report excellent or very good health.
- Lack of supplemental coverage (Medicare coverage only) is most common among beneficiaries who are under age 65, with income below 200 percent of poverty, eligible due to disability, rural dwelling, male, and who report poor health.

### **Chart 6-3. Total spending on health care services for noninstitutionalized FFS Medicare beneficiaries, by source of payment, 2003**

Per capita total spending = \$10,680

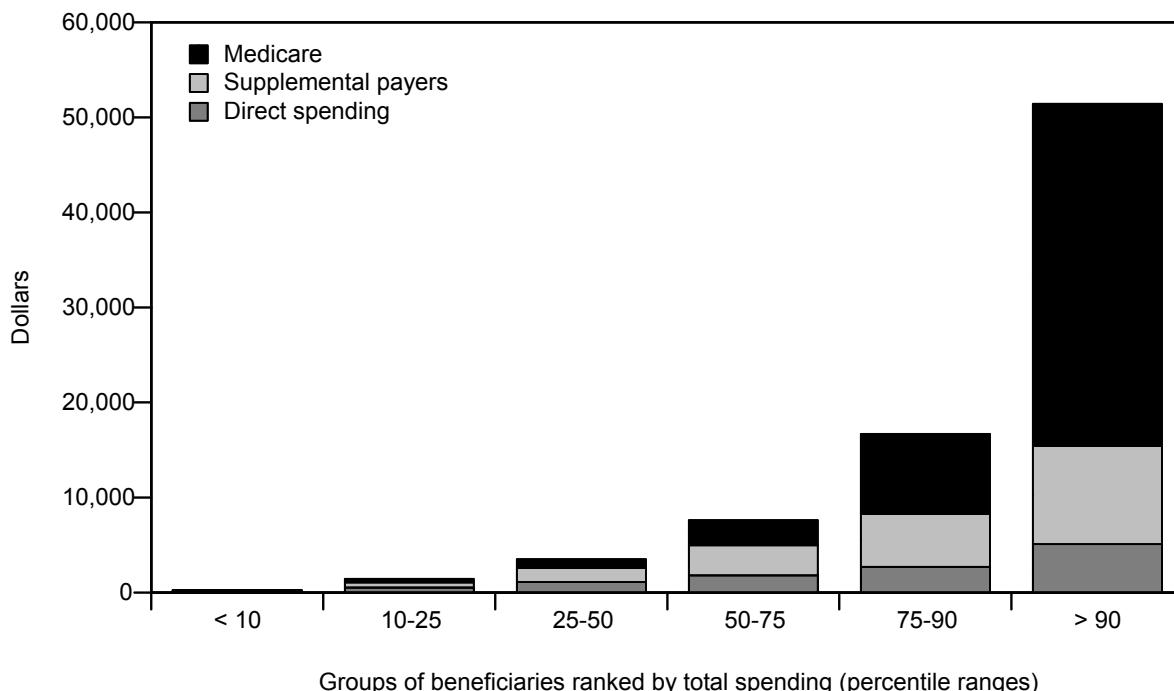


Note: FFS (fee-for-service). Private supplements include employer-sponsored plans and individually purchased coverage. Public supplements include Medicaid, Department of Veterans Affairs, and other public coverage. Direct spending is on Medicare cost sharing and noncovered services but not supplemental premiums. Analysis includes only FFS beneficiaries living in the community.

Source: MedPAC analysis of Medicare Current Beneficiary Survey, Cost and Use file, 2003.

- Among fee-for-service (FFS) beneficiaries living in the community, the total cost of health care services (defined as beneficiaries' direct spending as well as expenditures by Medicare, other public-sector sources, and all private-sector sources on all health care goods and services) averages \$10,680. Medicare is the largest source of payment; it pays 55 percent of the health care costs for FFS beneficiaries living in the community, or an average of \$5,822 per beneficiary.
- Private sources of supplemental coverage—primarily employer-sponsored retiree coverage and Medigap—pay 19 percent of beneficiaries' costs, or an average of \$1,985 per beneficiary.
- Beneficiaries pay 16 percent of their health care costs out of pocket, with an average of \$1,742 of spending per beneficiary.
- Public sources of supplemental coverage—primarily Medicaid—pay 11 percent of beneficiaries' health care costs, or an average of \$1,130 per beneficiary.

## Chart 6-4. Per capita total spending on health care services among noninstitutionalized FFS beneficiaries, by source of payment, 2003

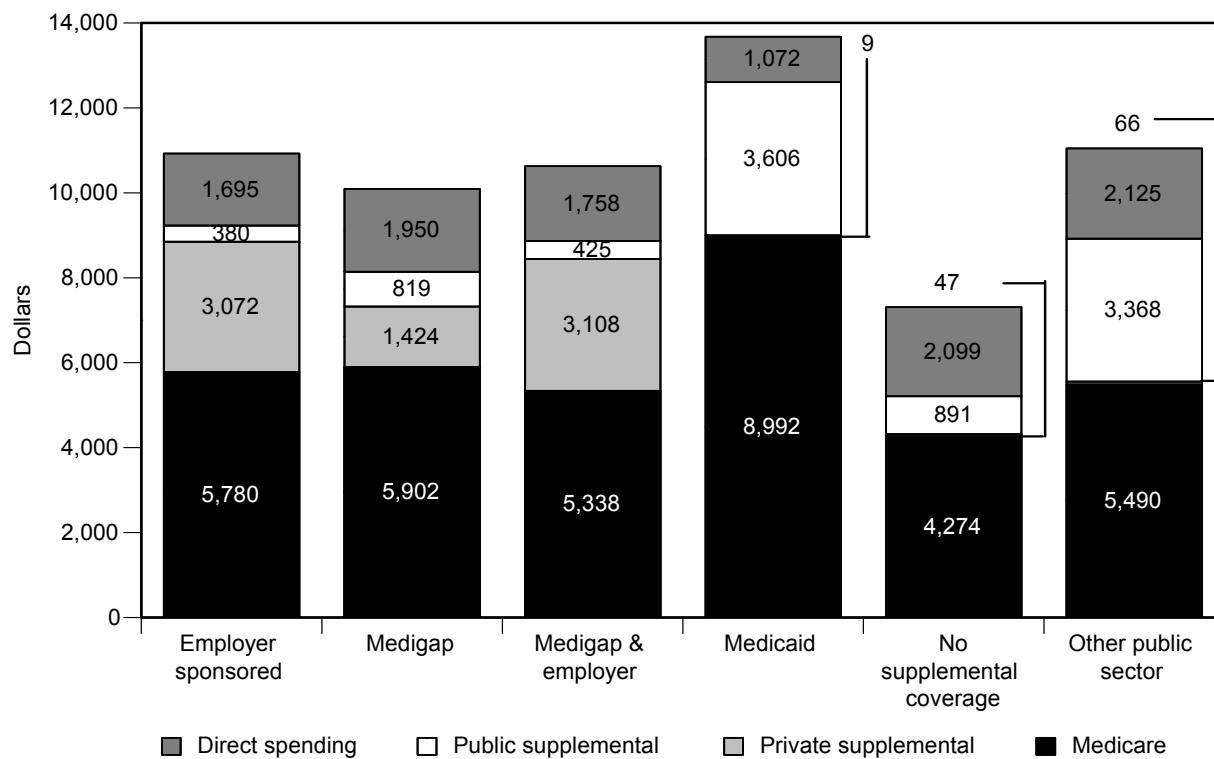


Note: FFS (fee-for-service). Analysis includes fee-for-service beneficiaries living in the community. Direct spending is on Medicare cost sharing and noncovered services.

Source: MedPAC analysis of Medicare Current Beneficiary Survey, Cost and Use file, 2003.

- Total spending on health care services varies dramatically among fee-for-service (FFS) beneficiaries living in the community. Per capita spending for the 10 percent of beneficiaries with the highest total spending averages \$51,400. Per capita spending for the 10 percent of beneficiaries with the lowest total spending averages \$271.
- Among FFS beneficiaries living in the community, Medicare pays a larger percentage as total spending increases, and beneficiaries' direct spending is a smaller percentage as total spending increases. For example, Medicare pays 55 percent of total spending for all beneficiaries, but 70 percent of total spending for the 10 percent of beneficiaries with the highest total spending. Beneficiaries' direct spending covers 16 percent of total spending for all beneficiaries, but only 10 percent of total spending for the 10 percent of beneficiaries with the highest total spending.

## Chart 6-5. Variation in and composition of total spending among noninstitutionalized FFS beneficiaries, by type of supplemental coverage, 2003

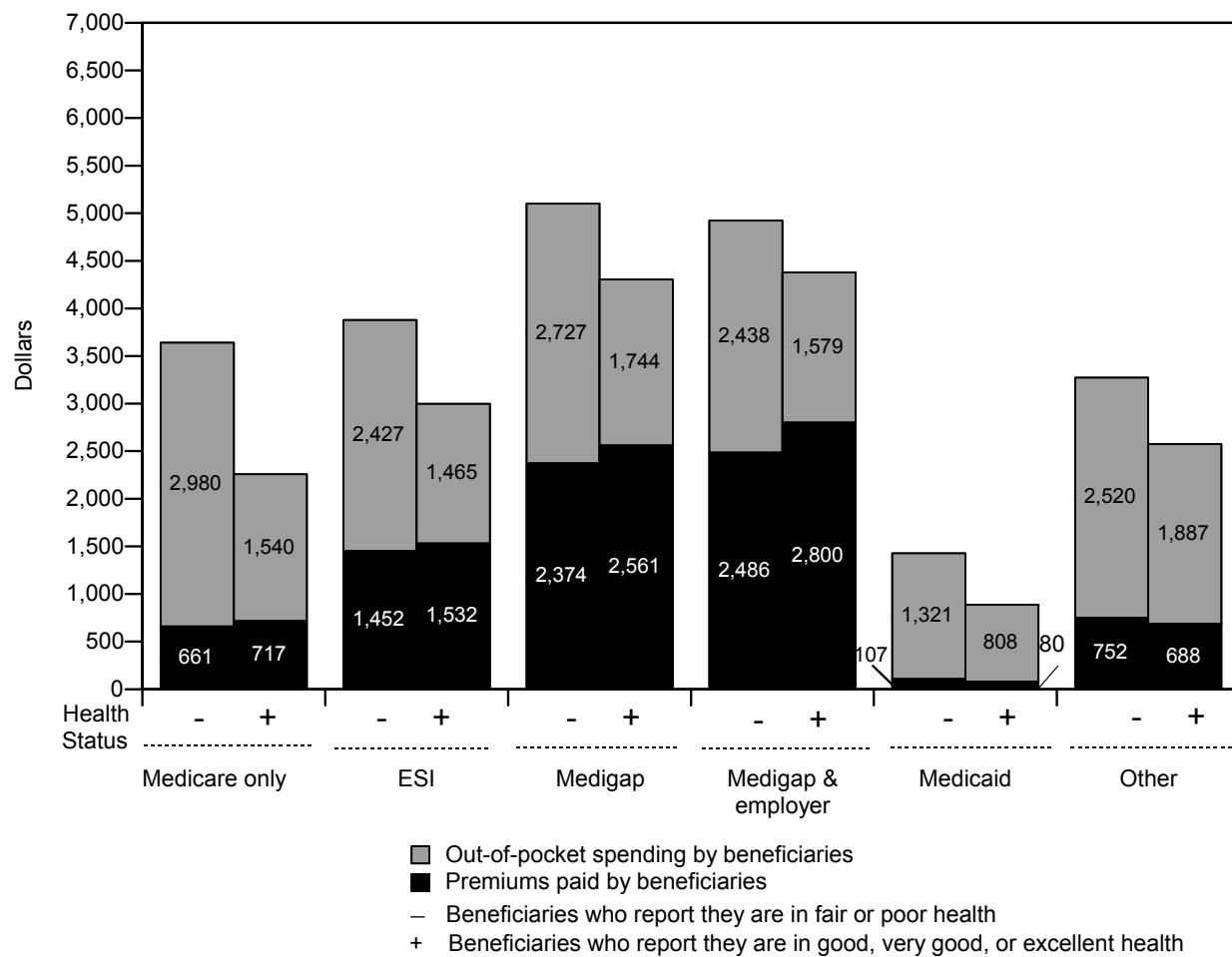


Note: FFS (fee-for-service). Beneficiaries are assigned to the supplemental coverage category that applied for the most time in 2003. They could have had coverage in other categories throughout 2003. Other public sector includes federal and state programs not included in the other categories. Private supplements include employer-sponsored plans and individually purchased coverage. Public supplements include Medicaid, Department of Veterans Affairs, and other public coverage. Analysis includes only FFS beneficiaries living in the community. It excludes beneficiaries who were not in both Part A and Part B throughout their enrollment in 2003 or had Medicare as a second payer. Direct spending is on Medicare cost sharing and noncovered services but not supplemental premiums.

Source: MedPAC analysis of Medicare Current Beneficiary Survey, Cost and Use file, 2003.

- The level of total spending (defined as beneficiaries' out-of-pocket spending as well as expenditures by Medicare, other public-sector sources, and all private-sector sources on all health care goods and services) among fee-for-service beneficiaries living in the community varies by the type of supplemental coverage they have. Total spending is much lower for those beneficiaries with no supplemental coverage than for those beneficiaries who have supplemental coverage. Beneficiaries with Medicaid coverage have the highest level of total spending, 87 percent higher than those with no supplemental coverage.
- Medicare is the largest source of payment for beneficiaries in each supplemental insurance category, but the second largest source of payment differs. Among those with supplemental coverage, that coverage—public and private combined—is the second largest source of payment. However, among those with Medicare only, beneficiaries' direct spending is the second largest source of payment.

## Chart 6-6. Out-of-pocket spending for premiums and health services per beneficiary, by insurance and health status, 2003



Note: ESI (employer-sponsored supplemental insurance).

Source: MedPAC analysis of Medicare Current Beneficiary Survey, Cost and Use File, 2003.

- Insurance that supplements Medicare does not shield beneficiaries from all out-of-pocket costs. Beneficiaries who report being in fair or poor health spend more out of pocket for health services than those reporting good, very good, or excellent health, regardless of the type of coverage they have to supplement Medicare.
- What beneficiaries actually pay out of pocket varies by type of supplemental coverage. For those with Medigap, out-of-pocket spending generally reflects the premiums and costs of prescription drugs and other services not covered by Medicare. Beneficiaries with ESI usually pay less out of pocket for prescription drugs than those with Medigap, but may pay more in Medicare deductibles and cost sharing.
- Reductions in coverage and benefits offered under ESI plans, changes to Medicare benefits, and increases in premiums for all supplemental insurance since 2003 are not reflected in these data.

## **Web links. Medicare beneficiary and other payer financial liability**

- Chapter 1 of the MedPAC 2006 Report to the Congress provides more information on Medicare program spending.  
[http://www.medpac.gov/publications/congressional\\_reports/Mar06\\_Ch01.pdf](http://www.medpac.gov/publications/congressional_reports/Mar06_Ch01.pdf)
- Chapter 1 of the MedPAC March 2005 Report to the Congress provides more information on Medicare program spending.  
[http://www.medpac.gov/publications/congressional\\_reports/Mar05\\_Ch01.pdf](http://www.medpac.gov/publications/congressional_reports/Mar05_Ch01.pdf)
- Appendix B of the MedPAC June 2004 Report to the Congress and Chapter 1 of the MedPAC June 2002 Report to the Congress provide more information on Medicare beneficiary and other payer financial liability.  
[http://www.medpac.gov/publications/congressional\\_reports/June04\\_AppB.pdf](http://www.medpac.gov/publications/congressional_reports/June04_AppB.pdf)  
[http://www.medpac.gov/publications/congressional\\_reports/Jun2\\_Ch1.pdf](http://www.medpac.gov/publications/congressional_reports/Jun2_Ch1.pdf)
- Chapter 1 of the MedPAC March 2004 Report to the Congress provides more information on beneficiary and Medicare program spending as well as information about supplemental insurance.  
[http://www.medpac.gov/publications/congressional\\_reports/Mar04\\_Ch1.pdf](http://www.medpac.gov/publications/congressional_reports/Mar04_Ch1.pdf)
- Chapter 1 of the MedPAC March 2003 Report to the Congress provides more information on beneficiary and program spending.  
[http://www.medpac.gov/publications/congressional\\_reports/Mar03\\_Ch1.pdf](http://www.medpac.gov/publications/congressional_reports/Mar03_Ch1.pdf)



